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11 JUN 1946

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1. Soviet outlet to Mediterranean--According to Ambassador Wilson in Ankara, Stalin recently told the British Ambassador in Moscow that (a) the USSR needs complete freedom of movement for Soviet ships from and to the Black Sea, but (b) such freedom is "of little value" unless the USSR has a base somewhere in the Mediterranean. (The US representative in Sofia reports increasing evidence that Bulgaria, with Soviet support, will make a determined bid at the forthcoming Council of Foreign Ministers for Western Thrace and an outlet to the Mediterranean despite the Council's provisional agreement on 14 May to award the area to Greece.)

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3. State Department defines position on Italian merchant vessels--The State Department has informed Dunn of its belief that (a) it will not be practicable to withdraw the offer to the USSR of the VULCANIA and SATURNIA as reparations, but (b) claims made by other countries for Italian merchantmen "can and should be resisted". The Department also feels that no further concessions should be made to the Soviet viewpoint on reparations, and that, in particular, Soviet and French demands for reparations "from current output" should likewise be resisted.

EUROPE-AFRICA

4. USSR: Embassy Moscow's views on Soviet propaganda--Ambassador Smith believes that recurrent charges in the Soviet press that Western statesmen are guilty of "psychological preparation toward withdrawal from established principles of Allied cooperation" must be interpreted as "preparation for possible withdrawal by the Soviet Government, should this become expedient".

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5. **FRANCE:** Communists control key trade unions--Caffery points out, in connection with demands of French labor for a 25 percent wage increase, that the Communists "control the levers" of the "most decisive and largest" trade unions (in addition to dominating the CGT as a whole).
6. **ICELAND:** Election predictions--US Minister Morgan feels that (a) the forthcoming elections will show no major changes in party strengths (the present Parliament includes 20 Conservatives, 15 Progressives, 10 Communists, 7 Social Democrats), (b) the present cabinet coalition of Conservatives, Social Democrats and Communists will continue, and (c) to press the issue of US air bases before the elections would only strengthen the Communists. Morgan believes that the Prime Minister wants to settle the base issue, but is "not sufficiently our friend" to arrange a settlement with the Communists unless the US applies some pressure (see Daily Summary of 10 April, item 2).

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Separatist movement in South--US Consul Naples reports that leading Monarchists in the South are organizing a separatist movement and have attempted to obtain arms. The Consul adds that the US Military Police describe the situation as "tense" and have patrols out "in full force".

8. **HUNGARY:** Soviet demand for evacuation of US Legation residence--Embassy Moscow has been informed by Vishinsky that (a) the Soviet request of last May for the evacuation of one of the US Legation residences in Budapest was necessary since the residence is in "direct proximity" to local Red Army headquarters and billets, and (b) the US protest against the Soviet request "is totally impossible to understand".

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9. IRAN: Terms of Azerbaijan settlement--Ambassador Allen reports that, according to an official of the Iranian Foreign Office, the settlement of the Azerbaijan question will be completed within two days and will provide for the incorporation of the Azerbaijan Army into the Imperial Iranian Army. In addition, Parliamentary elections are to be called within about two weeks. Qavam is expected to form his own political party (independently of the leftist Tudeh Party) for action in later elections.
10. TURKEY: Attacks by Arab press--Ambassador Wilson in Ankara reports that (a) the press in Arab countries recently has charged Turkey with opposing withdrawal of British troops from Egypt, and (b) the Turkish Government has protested to Iraq and Egypt that it has taken no stand on the withdrawal. Wilson comments that the Arab attacks reflect Turkey's refusal to align itself with the Arabs on Palestine.

FAR EAST



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12. CHINA: Conditions for reopening Dairen port--US Consul Benninghoff believes that Soviet military control of Dairen [redacted] can be ended only by the arrival of legal Chinese Government officials who, under the terms of the Sino-Soviet treaty, would be able to declare the city an open port and reopen communications. He reports that (a) the early repatriation of some 240,000 Japanese from Dairen is desirable, but (b) Soviet military authorities say they are awaiting instructions from Moscow.

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13. JAPAN: Commission to inventory Japanese Naval vessels--The Soviet Foreign Office has replied to two US notes regarding the disposition of Japanese naval and merchant fleets [redacted]

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25X1 The Soviet Government believes that (a) an inventory of war vessels subject to division should be taken now and (b) these vessels should be released from repatriation work in order to maintain them in good condition. The Soviet Government proposes that separate commissions, including representatives of the four Allied Powers, be formed to draw up exact lists of the war vessels subject to division and to take preliminary measures for the disposition of the Japanese merchant fleet.

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THE AMERICAS

15. ARGENTINA: Longshoremen plan sympathy strike--Messersmith reports that Argentine longshoremen plan to stop work in sympathy with US maritime unions if the proposed strike materializes on 15 June.

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